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SUBJECT: Heart of Gold: Searching for Business
Philanthropy in Support of Civil Society

Ref: A) Guangzhou 4104, B) 05 Guangzhou 24118 (both notal)

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¶1. (SBU) Summary: Bereft of any significant private sector contributions, a strong and broad civil society sector has not developed to any extent resembling the pace of the enormous economic growth that has taken place in south China. There are signs that many private businesses may want to be independent contributors to non-governmental organizations (NGOs), inspired in part by exemplary philanthropy from the Chinese diaspora, including neighboring Hong Kong. The overweening desire of the authorities to monopolize all societal sectors, the strength of existing government affiliated civil groups, and the relative newness of the concept of business philanthropy have served to blunt this development. Still, as south China enterprises get increasingly sophisticated and come to view themselves as having stakes broader than just their bottom line and as diaspora and foreign practices increasingly become familiar, a strong financially supported civil sector could come into play, particularly as governmental authorities come to realize that dealing with environmental degradation, social inequality, and public health challenges will over-stretch their capabilities and the desire to spread social burdens beyond government jurisdiction expands. U.S. public diplomacy directed at Chinese business audiences could help reinforce this transformation. End Summary.

I Want to Live

¶2. (SBU) In this, part of Consulate Guangzhou's very occasional series on the existential question of whether south China has a modern economy (see ref B), we deal with the nexus between the development of business values and the advancement of human rights and civil society. Alexis de Tocqueville identified the public activities of "intermediate associations" -- business and civil organizations -- as essential elements of the fabric of freedom and liberal democracy found in the United States. This model of civic organizations able to generate their own resources sometimes through the empowering philanthropy of business people in order to perform a huge number of

public functions in addition to and as an independent counterweight to governmental power has been the hallmark of the most successful free and open societies in the world. But it is precisely this model and its fabric that are missing in south China, particularly ironic given that Guangdong is the most prosperous province in the nation and has a growing dynamic private sector even while local and regional NGOs and wannabe NGOs struggle for existence.

¶3. (SBU) The reluctance of the Chinese authorities to permit the development of any social organizations that might potentially constitute a challenge to their political monopoly is, of course, a chief reason, but there are also many ancillary reasons for the weakness of the non-government civil sector and in particular why south Chinese enterprises have not broadly and strongly supported the development of independent civil associations. For example, the Chinese government's own civil society capabilities, while perhaps less well funded than in the past, remain quite strong, and government NGOs (or GONGOs) such as the Chinese Woman's Federation provide ample support for women's programs in China while the Disabled People's Federation continues to provide an impressive array of social services (see septel).

¶4. (SBU) On the business sector side of the equation, many of south China's most prominent firms continue to be state-owned enterprises (SOEs) and "reformed" SOEs which have "marketized" themselves as shareholder companies. SOEs already have social safety net responsibilities for their employees and their families (we just visited the Guangzhou Railway Group, for example, and it has 130,000 workers of whom only 90,000 are "front line" with the company

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supporting them, retirees, and their families). Meanwhile the "reformed" SOEs sometimes have legacy safety net obligations and/or want to avoid the controversy that might be involved if they engage in broader charitable and philanthropic work even as former employees curtailed as a result of SOE "marketization" remain non-beneficiaries of their transformation. This by and large explains the non-involvement of these companies in independent philanthropy. For their part, all private enterprises in south China have comparatively short histories and their first emphasis has been on surviving and, hopefully, thriving. This does not leave that much room for philanthropy as yet.

I Want to Give

¶5. (SBU) But the concept of business contributing to social good outside of government channels is one deeply rooted in Chinese culture, as the long history of benevolent associations -- sometimes clan or locality based -- and religious organizations can attest. So it is not surprising that despite the decades of communist rule, there is still a fairly strong sense of the concept of social beneficence outside of service to or from the government. Since 2004, there has also been legislation permitting the establishment of foundations in the names of individuals or legal entities, including companies, and there has been a respectable record of charitable giving, mostly to GONGOs or to "safe" recipients such as schools, including at the university level, which are governmental entities by and large.

I Cross the Ocean

¶6. (SBU) The giving of "safe" contributions to schools and universities has had an added impetus provided by philanthropic activity by the Chinese diaspora particularly in south China because it is the source of a large proportion of overseas Chinese. The Jimei school complex in Xiamen, for example, stands testimony to the generosity of Tan Kahkee (Chen Jiageng), who became rich in then Malaya and who also made massive contributions to the

founding of Xiamen University. Although the school was nationalized in the wake of the communist takeover, the school and its history are manifested in its distinctive buildings at a prominent site on the mainland side of the causeway linking to Xiamen Island. Similarly and more recently, the late third generation Thai-Chinese tycoon Guo Fengyuan funded the creation of the Tanfuyuan complex in Chaozhou, featuring a replica of the "Palace to Receive Thai Tribute," a Buddhist temple complex, and a Confucian-inspired school aimed at teaching the Chaozhou dialect to Thai-Chinese students (interestingly, the complex also features a hagiographic inscription for Mr. Guo signed by Chiang Kai-shek and another signed by Chiang Weigo, one of the few instances in which these Kuomintang political and military leaders are portrayed in a positive light in an institution on the mainland).

It's Such a Fine Line

17. (SBU) Like their Chinese counterparts, many overseas Chinese are donating directly to universities, but unlike the mainlanders some of the diaspora donations are explicitly "empowering" in nature and not just "charitable." For example, the Chinese-American Wu family, founders of the Maxim's restaurant chain and the franchise owner for Starbuck's in south China, have given to Lingnan College, which was involuntarily absorbed into Zhongshan University after all schools were nationalized by the communists. The Wu family grant not only requires the continuing separate existence of Lingnan but also partially endows the Executive MBA program offered by Lingnan's Business School in conjunction with the University of Minnesota's Carlson School of Management. The latter has an explicit curriculum emphasis on business ethics and the social and legal responsibility.

18. (SBU) The contributions of the Li Kashing Foundation to Shantou University is based on explicit "empowerment"

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conditions. As explained by Eric Chow, employed both by Shantou University and the Foundation, Shantou is run on a "credit" system in which students, who are chosen not by test scores but by their application letters with an emphasis on less well off families, have elective courses and can change majors unlike Chinese schools which impose a fixed four year curriculum on their students in pre-set majors. Moreover, because the students and graduates of Shantou University are beneficiaries of beneficence, they are expected to act in a similarly socially responsible manner in the spirit of Li Kashing's contribution. This "social duty requirement" is not limited to the business majors at Shantou but extends to the more prominent medical and law schools as well.

19. (SBU) It is not surprising that "empowerment" type philanthropy is directed mostly at universities because they are generally the most progressive and open institutions in China -- with Zhongshan University, for example, hosting an Institute for Civil Society which provides an "incubator" and a degree of "cover" for NGO development. Moreover, the universities provide an easy, clearly legal vehicle for this type of philanthropy.

Comment: And I'm Getting Old

10. (SBU) The prospects for getting "empowerment philanthropy" beyond the university are good. The high repute of the "Nanfengchuang" ("South Wind Window") magazine -- Guangzhou's most "progressive" periodical -- even among business leaders suggests that there is a large appeal and appetite for the illustrative stories of people and organizations doing public good independent of government control. Rockefeller Brothers Fund President Stephen Heintz commented to us that he, too, is finding that business people are very much interested in civil

society (the Fund is legal in China and has just recently decided to focus all of its China efforts in the south). As noted above, EMBA and other foreign-affiliated university programs and the almost iconic example of Li Kasheng are having an effect as well. U.S. public diplomacy programs would be a useful supplement to this, and this Consulate is partnering with the American Chamber of Commerce Guangdong's Corporate Social Responsibility committee to develop the theme of "empowering philanthropy."

¶11. (SBU) The growing inability of the government to provide all social services also gives room for "empowering philanthropy" to grow. For example, the public health system in China has deteriorated badly and it is very much a Hobbesian world for anybody with serious medical problems but lacking the resources to pay. Consequently, the government is increasingly looking to a private sector based health insurance system to "replace" the public health system. Environmental degradation, catastrophic insurance, tuberculosis, HIV, and other health challenges are all problems that increasingly need non-governmental involvement to buttress the efforts of the authorities.

¶12. (SBU) And in the coming years as the founders of those south China enterprises today that thrive into the future get older, they probably will also, as past Chinese tycoons did and current diaspora Chinese do, begin to see their legacies less as a mound of gold than as the respect and gratitude of common people empowered and lifted up by their beneficence.

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